



30 June 2016

Drakelands Mine Progress Update

Specialty metals producer, Wolf Minerals Limited (ASX: WLF, AIM: WLFE) (**Wolf** or the **Company**) provides the following update on progress at its recently developed Drakelands open pit mine (**Drakelands**) at the Company's Hemerdon tungsten and tin project in Devon, southwest England.

Highlights

- ✓ Good progress at mine and Mining Waste Facility - liner for the next stage completed on schedule.
- ✓ Over 1.6m tonnes of ore mined to date.
- ✓ Successful completion of ten hole diamond drilling program to gather additional data on particle size and the distribution of mineralisation within the ore body.
- ✓ Processing plant testing by Wolf and GRES to examine equipment and operating parameters highlighted a number of areas for improvement as the Company works towards commercial production.
- ✓ Improvement in the APT price rising to US\$225/mtu (March 2016 Quarter average: US\$172/mtu).
- ✓ Subscription request issued for the balance of £9 million of the £25 million standby subscription facility provided by Resource Capital Fund VI L.P.
- ✓ Installation of external steel columns around the processing plant completed to reduce the generation of low frequency noise.

Mining Activities

Weather in recent months has been favourable, enabling good progress to be made in the mine and the Mining Waste Facility (**MWF**), with the liner for the next stage of the MWF completed on schedule in June 2016.

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Waste mining activities have concentrated on waste stripping and construction of a new haulage access road. Ore mining is taking place in both the southern and the northern ends of the pit with several benches being mined concurrently. Since mining has commenced, over 1.6m tonnes of ore has been mined and the pit surface has dropped by approximately 15 metres.

The ore body at Drakelands is located in a large granite dyke that outcrops to surface. The granite is weathered at the surface and looks and feels like soft clay. As mining gets deeper the weathering will reduce such that hard granite rock becomes the principal ore feed to the processing plant. Ore mining is currently in the softer part of the ore body. Blasting operations at the mine commenced earlier in the year as the rock in the mine became more competent.

Reconciliation of the grade of ore (%WO₃) extracted to date has been positive when compared to the grade expected from the ore reserve. However, as mining to date has predominantly been near surface, the ore mined has had much finer particle sizes than will be the case over the mine life, and for which the processing plant was primarily designed which has had a consequential effect on recoveries.

With the aim of tailoring the ore feed for the processing plant closer to the design feed characteristics, a ten hole diamond drilling program was recently completed in the open pit to gather additional data on particle size and the distribution of mineralisation within the ore body. Ore samples are being analysed by both geological and metallurgical personnel and the results will be used to refine the mining plan to ensure an ore blend that best suits the processing plant.

Processing Plant

The processing plant at Drakelands was developed by Wolf through an Engineering-Procurement-Construction (**EPC**) contract with GR Engineering Services Limited (**GRES**). Under the EPC contract, GRES was appointed on a fixed price, fixed term basis for the design, procurement, construction and commissioning of the processing plant, and associated infrastructure. The EPC contract provides that GRES warrants the performance of the processing plant within a specified period after commissioning.

GRES undertook detailed design of the processing plant and facilities and commenced construction in March 2014. First ore processing occurred in June 2015 as part of the wet commissioning and the plant was handed to Wolf as operational in September 2015.

In the period since taking operational control, Wolf has worked closely with GRES to close out the outstanding items and optimise the processing plant's performance. During this period the Company has concentrated on increasing overall run times and production, however performance has been impacted by core equipment manufacturing faults, leading to high levels of unplanned downtime.

In June 2016, the processing plant was tested by Wolf and GRES to examine equipment and operating parameters. The test highlighted a number of areas where further improvement and defect correction is required. These include availability, recovery, product grade, as well as access to equipment and environmental improvements.

Consequently, Wolf and GRES are discussing a work program involving equipment changes and design improvements aimed at achieving continuous operation at capacity, enhancement of recoveries and general plant improvements. Production improvements are expected during implementation of the program, however completion of all elements of the program is required before the full impact on processing plant performance can be ascertained.

A work program for the tin circuit, kiln and gas handling equipment is currently underway following agreement by Wolf and GRES on a number of modifications. These modifications have had a positive impact on tin concentrate production, with the first shipment of tin concentrate despatched from Drakelands in early June 2016.

Tungsten Concentrate

The production of tungsten concentrate has been adversely affected by the underperformance of the processing plant and as a result Wolf has not met its contracted supply commitments to major customers (**Product Shortfall**). In these circumstances, the contract term is automatically extended until the Product Shortfall is supplied and a price penalty is activated. Wolf is currently in discussions with its major customers to reduce or defer this penalty.

Tungsten Prices

Prices for tungsten concentrates tend to follow the same trend as prices for ammonium paratungstate (**APT**), which is the key intermediary product in the tungsten supply chain. APT prices for spot market transactions are published by several data providers including Metal Bulletin and Metal Pages with prices established through surveys of buyers, sellers and other industry participants.

The average APT price published by Metal Bulletin for the March Quarter was US\$172/mtu (FOB Europe). The APT price rebounded somewhat in May 2016 reaching a high of US\$225/mtu (FOB Europe), before falling slightly to the current price of US\$200/mtu. The price improvement is a positive indication for the market outlook, however the APT price remains some US\$160/mtu lower than when construction of Drakelands commenced in March 2014.

£25M Standby Subscription Facility with RCF

The weak tungsten price contributed to the Company's decision to strengthen its balance sheet through a £25 million standby subscription facility (the **Facility**), with Resource Capital Fund VI L.P. (**RCF VI**) that was approved at a general meeting of shareholders held in April 2016.

The terms of the Facility provide that RCF VI, an associate of current major shareholder Resource Capital Fund V L.P., will subscribe for ordinary shares in the Company up to a maximum amount of £25 million (approximately A\$45 million) at 9.19p (approximately A\$0.17) per share.

The Company made an initial subscription request for £16 million under the Facility in late April 2016. Having considered the challenges encountered during the processing plant ramp up and the continued softness in the tungsten price, a further subscription request has been made for the remaining £9 million available under the Facility. Shares will again be issued at 9.19p, representing a 53% premium to the closing price on the AIM on 29 June 2016. Subscribing for the balance of the Facility enables the Company to direct maximum efforts to improving the performance of the processing plant through the work program with GRES and optimisation of ore feed as it works towards commercial production.

Sustainability

Wolf believes that long-term success hinges on sustainable development that benefits the business, stakeholders and the environment. To this end, Wolf continues to apply a policy of responsible, proactive sustainability management incorporating self-regulation, legislative compliance and community involvement.

Wolf recently completed the installation of external steel columns around the processing plant to reduce the generation of low frequency noise that was a concern to some local residents. Initial results demonstrate a much reduced level of low frequency noise emanating from the processing plant and

reduction in the quantity of noise in the surrounding areas. Further work to reduce noise from the processing plant is ongoing to minimise the impact on the community.

Wolf is now undertaking regular blasting in the Drakelands open pit. Ground vibrations from blasting are being measured with results below prescribed levels. Wolf has received feedback from local residents expressing concerns about blasting and a series of public information sessions have been held locally. Wolf is also working with an independent expert in the field of blasting, along with County, District and Parish Councils on best practice blast design to minimise impacts felt by local residents.

The Company has recently assisted a local village to build a new church hall by undertaking major groundworks to remove surplus material and move 300 tonnes of soil to excavate a level, firm base for the new hall foundations. Additional community support has also been provided through the purchase of a storage container for a local football club, funding installation of emergency defibrillators for two local villages and establishing community trusts to support local projects with the Sparkwell, Shaugh Prior and Cornwood Parish Councils.

In 2015 Wolf achieved ISO 14001 certification for its Environmental Management System and following an audit in April 2016 the certification has been retained. Certification of the Environmental Management System at Drakelands provides confidence that the Company has procedures and practices in place to manage the environment.

Public tours of Drakelands are regularly offered to local community members keen to understand more about the operation and over 200 people attended the most recent tours in June 2016.

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About Wolf Minerals

Wolf Minerals is a dual listed (ASX: WLF, AIM: WLFE) specialty metals producer. With global demand for tungsten rising and future global production expected to be constrained, Wolf Minerals has recently completed the development of a large tungsten resource at its Drakelands Mine, located at Hemerdon, in southwest England.